

TIMBUKTU ACADEMY OF SCIENCE AND TECHNOLOGY  
FINANCIAL STATEMENTS  
TOGETHER WITH INDEPENDENT AUDITORS' REPORTS  
JUNE 30, 2008

TIMBUKTU ACADEMY OF SCIENCE AND TECHNOLOGY  
FINANCIAL STATEMENTS  
JUNE 30, 2008

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**GREGORY  
TERRELL  
& COMPANY**

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Board of Directors  
Timbuktu Academy of Science and Technology

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate fund information of the Timbuktu Academy of Science and Technology as of and for the year ended June 30, 2008, as listed in the accompanying table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion on these financial statements based on our audit.

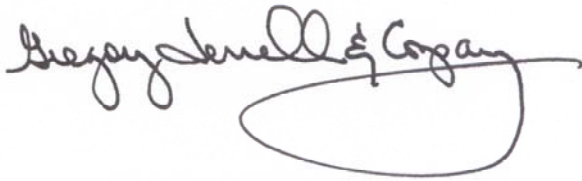
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Timbuktu Academy of Science and Technology as of June 30, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with "Government Auditing Standards", we have also issued our report dated September 19, 2008 on our consideration of the Timbuktu Academy of Science and Technology's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Academy's basic financial statements. The accompanying required supplemental information, as identified in the table of contents, is not a required part of the basic financial statements. The supplemental information is information required by the Governmental Accounting Standards Board. The required supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in dark ink, reading "Gregory Terrell & Company". The signature is fluid and cursive, with a large, sweeping loop at the end.

**GREGORY TERRELL & COMPANY**  
Certified Public Accountants

September 19, 2008

TIMBUKTU ACADEMY OF SCIENCE AND TECHNOLOGY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2008

For the Fiscal year ended June 30, 2008

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Timbuktu Academy of Science and Technology (TAST) financially as a whole. The district-wide financial statements provide information about the activities of the whole school district, which include revenue streams, as well as the quantity and direction of spending. Furthermore, these statements reveal how services were financed in the short term and what remains for future spending.

Timbuktu Academy of Science and Technology have three funding sources: General Fund, School Service Fund and Agency Fund. General Fund revenues come from federal and state governmental agencies; they include per pupil allocation State Aid, Federal Title grants and other governmental sources. The School Service Fund primarily includes the lunch program and the Agency Fund accounts for dollars received through local efforts (e.g., student activities, school fundraisers, etc.).

District Wide Financial Statements

One of the most important questions asked about TAST is, "As a whole, what is the Academy's financial condition as a result of last year's activities?" The statements of net assets and activities, which appear first in TAST's financial statements, report information on TAST as a whole and its activities in a way that helps to answer this question. We prepare the statements to include assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash was received or paid.

These two statements report TAST's net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure TAST's financial health or financial position. Over time, increases or decreases in TAST's net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenue and expenses produces TAST's operating results.

TAST's goal is to provide educational services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the school, to assess the overall health of TAST. The statement of net assets and the statement of activities report the governmental activities for TAST, which encompass all of TAST's services, including instruction and support services.

**TIMBUKTU ACADEMY OF SCIENCE AND TECHNOLOGY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF JUNE 30, 2008**

**Fund Financial Statements**

Timbuktu Academy of Science and Technology's fund financial statement provides detailed information about the most significant fund – General Fund – and not TAST as a whole. Governmental Fund reporting shows how money flows into and out of the fund and the balance left at year end that is available for spending. The Governmental Fund is reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of TAST and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance TAST's programs. We describe the relationship (or differences) between general activities (reported in the statement of net assets and the statement of activities) and governmental funds in reconciliation.

**Timbuktu Academy of Science and Technology as a Whole**

As discussed above, the statement of net Assets provides information of TAST as a whole. Table 1 provides a summary of TAST's net assets as of June 30, 2008 and 2007.

**Table 1- Summary of TAST's Net Assets**

	Governmental Activities	
	June 30	
	2008	2007
Assets		
Current and Other Assets	\$851,828	\$774,371
Capital Assets - Net of Accumulated Depreciation	89,501	71,063
Total Assets	941,329	845,434
Liabilities		
Current Liabilities	248,066	318,305
Total Liabilities	248,066	318,305
Net Assets		
Invested in Capital Assets - Net of Related Debt	89,501	71,063
Unrestricted	603,762	456,066
Total Net Assets	\$693,263	\$527,129

**TIMBUKTU ACADEMY OF SCIENCE AND TECHNOLOGY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF JUNE 30, 2008**

**Timbuktu Academy of Science and Technology as a Whole**

Net assets at June 30, 2008 were \$693,263 which reflects an increase of \$166,134 compared to the previous year by \$54,908. The increase in net assets in general was due to an increase in total assets of \$95,895. The increase in total assets was mainly due to an increase in receivable of \$18,022, furniture and equipment of \$55,919 and prepaid expenses of \$21,954 respectively. The decrease in total liabilities of \$70,239 was actually due to improved cash flow management and a forgiveness of an outstanding debt by Detroit Public Schools (DPS) of \$26,282 and the off-set of General Fund expenditures of \$15,505 with the support of school-wide fund raiser and self-supporting student activities.

**Table 2- Summary of the Statement of Activities**

		Governmental Activities	
		June 30	
		2008	2007
<b>Revenues</b>			
State Revenue	2,381,566	\$2,485,510	
Federal Revenue	408,129	365,206	
Local Revenue	16,622	114,654	
Other	3,000	14,000	
Total Revenues	<u>2,809,317</u>	<u>2,979,370</u>	
<b>Expenses</b>			
Basic Instruction	1,211,436	1,470,520	
Added Needs	23,876	91,785	
Instructional Support	39,585	28,182	
General Administration	197,032	184,440	
Business Services	117,583	90,816	
Operation and Maintenance	364,509	384,955	
Food Services	143,522	184,352	
Pupil Support	248,421	116,138	
School Administration	277,908	264,397	
Transportation	12,855	9,921	
Central Support Services	2,116	7,041	
Community Services	<u>22,774</u>	<u>10,742</u>	
Total Expenses	<u>2,661,617</u>	<u>2,843,289</u>	
Increase (Decrease) in Net Assets	<u>\$147,700</u>	<u>\$136,081</u>	

TIMBUKTU ACADEMY OF SCIENCE AND TECHNOLOGY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2008

Capital Assets

At June 30, 2008, TAST had \$203,143 in capital assets, the net of accumulated depreciation, of \$113,642 as shown in table below. This amount includes furniture and equipment. The depreciation for the year was \$22,785 which included the reduction for stolen items.

	Governmental Activities	
	June 30	
	<u>2008</u>	<u>2007</u>
Furniture and Equipment	<u>\$203,143</u>	<u>\$161,921</u>
Total Capital Assets	203,143	161,921
Less Accumulated Depreciation	<u>113,642</u>	<u>90,857</u>
Net Capital Assets	<u>\$89,501</u>	<u>\$71,064</u>

Timbuktu Academy of Science and Technology's Funds

As we noted earlier, TAST uses funds to help it control and manage money for particular purposes. Looking at the funds help the reader consider whether TAST is being accountable for the resources taxpayers and other provide to it and may provide more insight into TAST's overall financial health.

At the end of this school year, the government funds reported a fund balance of \$603,762 an increase of \$147,696 from June 30, 2007 balance of \$456,066.

General Fund Budget Highlights

Over the course of the year, TAST revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. During the year, TAST revised its budget in response to and/or in anticipation of changing operating conditions. A schedule showing TAST's original and final budget amounts compared with amounts actually paid and received for the General Fund is provided in the required supplemental information section of these financial statements.

The General Fund revenue was \$12,726 over the budgeted amount (1%). The majority of TAST's revenue is based on student enrollment. For the fiscal year 2008, it received \$7,475 per pupil from the State of Michigan. The original budget, which was completed at the end of the prior year, reflected certain assumptions for enrollment, grant revenue funding, staffing and other expenditures. The June 2008 amended (final) budget reflected actual enrollment based on the September 2007 official pupil count. The final overall budget was greater than originally projected, due to an increase of State-Aid 31-A funds, increase in revenue generated by the School Service Fund; which off-set a slight decrease in Federal program revenues. TAST received a matching technology grant and some in-kind donations that assisted with expenses. Operating expenditures based on the revised budget revenue were adjusted accordingly.



TIMBUKTU ACADEMY OF SCIENCE AND TECHNOLOGY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF JUNE 30, 2008

Economic Factors Affecting Next Year's Budget

Timbuktu Academy of Science and Technology's administration and Board of Directors (the Board) consider many factors in the budget process. One of the most important factors affecting the budget is student enrollment. Nearly 85% of TAST's revenue is derived from the State of Michigan's student enrollment based funding formula. The formula to allocate revenue to school districts is based on the blending of two official pupil counts and a per-pupil funding allocation (called the "Foundation Allowance"). The blended count for the fiscal year 2008-2009 is based on 25 percent of the February 2008 count plus 75 percent of the September 2008 count.

Timbuktu Academy of Science and Technology 2008-2009 budget was adopted in June 2008 based on an estimate of the number of students who will be enrolled in September 2008. Decision-makers considered several factors in projecting student enrollment in setting a preliminary budget.

- (1) Fall 2007 Count: The Fall 2007 student count was 288. Because it was lower than what was projected, we had to make cutbacks in November, 2007. Although the 2007-2008 school year ended with more than 300 students, TAST's administrators and Board members elected to enter the 2008-2009 school with a more conservative estimate, particularly given the difficult economic conditions in Detroit.
- (2) Economic Conditions: Joblessness in Detroit is among the top in the nation and many have chosen to move out of the state. Many schools city and state-wide have experienced student losses as families relocate. TAST is located in an economically depressed community with high unemployment/underemployment; thus the potential for movement is high.
- (3) Anticipated Renewal of Federal Funding Allocations: Although the levels of federal funding were not known when projecting enrollment for the 2008-2009 school year, Administrators and Board members assumed that allocations would be renewed at current levels; particularly given that this has taken place historically.
- (4) Student Needs: A final, but no less important, factor in determining the budget involved addressing the academic needs of students. As a result of multiple school-wide assessments TAST's administrators found that many students perform below grade level in the core content areas – math, language arts, social studies and science. Therefore, a commitment was made to ensure that appropriate resources, materials and other forms of support were designated to improving academic achievement among children.

Under the State of Michigan law, TAST cannot assess property taxes to fund general operations. As a result, TAST's revenue is heavily dependent on state funding and the health of the state's School Aid Fund, the actual revenue received depends on the state's ability to collect revenues to fund its appropriation to school districts. The state periodically holds a revenue estimating conference to forecast revenues. At this time, the Foundation allowance per 2008 is budgeted at \$7,475 per student.

Contacting the District's Financial Management

Questions regarding this report should be directed to Dr. Ife Kilimanjaro, Superintendent - Principal or Lydia Clark, Chief Financial Officer at (313) 823-6000. Timbuktu Academy of Science and Technology is located at 10800 E. Canfield, Detroit, MI 48214.

**TIMBUKTU ACADEMY OF SCIENCE AND TECHNOLOGY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2008**

	<b>ASSETS</b>	<b>Governmental Activities</b>
<b>Current Assets:</b>		
Cash and Cash Equivalents		\$ 357,950
Accounts Receivable		1,438
Prepaid Expenses		21,954
Due from Other Governmental Units		<u>470,486</u>
<b>Total Current Assets</b>		<u>\$ 851,828</u>
<b>Noncurrent Assets:</b>		
Capital Assets		\$ 203,143
Less Accumulated Depreciation		<u>(113,642)</u>
<b>Total Noncurrent Assets</b>		<u>\$ 89,501</u>
<b>Total Assets</b>		<u><u>\$ 941,329</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts Payable		\$ 73,784
Accrued Expenditures		<u>174,282</u>
<b>Total Liabilities</b>		<u>\$ 248,066</u>
<b>Net Assets</b>		
Invested in Capital Assets Net of Related Debt		\$ 89,501
Unrestricted		<u>603,762</u>
<b>Total Net Assets</b>		<u>\$ 693,263</u>
<b>Total Liabilities and Net Assets</b>		<u><u>\$ 941,329</u></u>

The accompanying notes are an integral part of this financial statement.

**TIMBUKTU ACADEMY OF SCIENCE AND TECHNOLOGY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

<u>Function / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		Governmental Activities Net (expenses) Revenues and Changes in Net Assets
		<u>Charges for Services</u>	<u>Operating Grants</u>	
Governmental Activities:				
Instruction	\$ 1,274,897	\$ -	\$ 252,445	\$ (1,022,452)
Support Services	1,164,509	-	32,767	(1,131,742)
Food Services	143,522	-	122,917	(20,605)
Community Services	22,774	-	-	(22,774)
Unallocated Depreciation	37,481	-	-	(37,481)
Total Governmental Activities:	<u>\$ 2,643,183</u>	<u>\$ -</u>	<u>\$ 408,129</u>	<u>\$ (2,235,054)</u>
General Revenues:				
State of Michigan School Aid Unrestricted				\$ 2,381,566
Miscellaneous Revenue				<u>19,622</u>
Total General Revenues				<u>\$ 2,401,188</u>
Change in Net Assets				\$ 166,134
<b>Net Assets, Beginning of Year</b>				<u>527,129</u>
<b>Net Assets, Ending of Year</b>				<u><u>\$ 693,263</u></u>

The accompanying notes are an integral part of this financial statement.

**TIMBUKTU ACADEMY OF SCIENCE AND TECHNOLOGY**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2008**

	<u>General</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
<b>Assets</b>			
Cash and Cash Equivalents	\$ 357,950	\$ -	\$ 357,950
Accounts Receivable	1,438	-	1,438
Due from Other Governmental Units	470,486	-	470,486
Due from Other Funds	-	7	7
Prepaid Expenses	21,954	-	21,954
<b>Total Assets</b>	<u>\$ 851,828</u>	<u>\$ 7</u>	<u>\$ 851,835</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 73,784	\$ -	\$ 73,784
Accrued Expenditures	174,282	-	174,282
Due to Other Funds	-	7	7
<b>Total Liabilities</b>	<u>\$ 248,066</u>	<u>\$ 7</u>	<u>\$ 248,073</u>
<b>Fund Balances</b>			
Reserved for:			
Other Purposes			
Prepaid Expenses	\$ 21,954	\$ -	\$ 21,954
Unreserved, reported in:			
Unrestricted	581,808	-	581,808
<b>Total Fund Balances</b>	<u>\$ 603,762</u>	<u>\$ -</u>	<u>\$ 603,762</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 851,828</u>	<u>\$ 7</u>	<u>\$ 851,835</u>
<b>Total Governmental Fund Balances</b>			\$ 603,762
<b>Amounts reported for governmental activities in the Statement of Net Assets are not reported in the funds.</b>			
The cost of the capital assets is		\$ 203,143	
Accumulated depreciation is		(113,642)	89,501
<b>Net assets of governmental activities</b>			<u>\$ 693,263</u>

The accompanying notes are an integral part of this financial statement.

**TIMBUKTU ACADEMY OF SCIENCE AND TECHNOLOGY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<b>General Fund</b>	<b>Other Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>			
Local Sources	\$ 19,622	\$ -	\$ 19,622
State Sources	2,381,566	-	2,381,566
Federal Sources	285,212	122,917	408,129
Total Revenues	<u>\$ 2,686,400</u>	<u>\$ 122,917</u>	<u>\$ 2,809,317</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction:			
Basic Programs	\$ 1,211,435	\$ -	\$ 1,211,435
Added Needs	23,876	-	23,876
Instructional Support	39,586	-	39,586
Total Instruction	<u>\$ 1,274,897</u>	<u>\$ -</u>	<u>\$ 1,274,897</u>
Support Services:			
Pupil	\$ 248,420	\$ -	\$ 248,420
General Administration	197,031	-	197,031
School Administration	275,637	-	275,637
Business	117,585	-	117,585
Operations and Maintenance	366,783	-	366,783
Transportation	12,856	-	12,856
Central Support Services	2,116	-	2,116
Total Support Services	<u>\$ 1,220,428</u>	<u>\$ -</u>	<u>\$ 1,220,428</u>
Community Services	<u>\$ 22,774</u>	<u>\$ -</u>	<u>\$ 22,774</u>
Food Services	<u>\$ -</u>	<u>\$ 143,522</u>	<u>\$ 143,522</u>
Total Expenditures	<u>\$ 2,518,099</u>	<u>\$ 143,522</u>	<u>\$ 2,661,621</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ 168,301</u>	<u>\$ (20,605)</u>	<u>\$ 147,696</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating Transfers In	\$ -	20,605	20,605
Operating Transfers Out	(20,605)	-	(20,605)
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 147,696</u>	<u>\$ -</u>	<u>\$ 147,696</u>
Beginning of Year	456,066	-	456,066
End of Year	<u>\$ 603,762</u>	<u>\$ -</u>	<u>\$ 603,762</u>

The accompanying notes are an integral part of this financial statement.

TIMBUKTU ACADEMY OF SCIENCE AND TECHNOLOGY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2008

<b>Net change in fund balances total governmental funds</b>	<b>\$ 147,696</b>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlays as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.</p>	
Depreciation expense	<u>(37,481)</u>
<b>Change in net assets of governmental activities</b>	<b><u>\$ 110,215</u></b>

The accompanying notes are an integral part of this financial statement.

**TIMBUKTU ACADEMY OF SCIENCE AND TECHNOLOGY**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b><u>Original</u></b>	<b><u>Final</u></b>	<b><u>Amounts</u></b>	<b><u>Final Budget</u></b>
				<b><u>Positive /</u></b>
				<b><u>(Negative)</u></b>
<b>REVENUES:</b>				
Local Sources	\$ -	\$ 3,000	\$ 19,622	\$ 16,622
State Sources	2,340,355	2,510,342	2,381,566	128,776
Federal Sources	407,233	262,731	285,212	(22,481)
Total Revenues	<u>\$ 2,747,588</u>	<u>\$ 2,776,073</u>	<u>\$ 2,686,400</u>	<u>\$ (89,673)</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Basic Programs	\$ 1,250,877	\$ 1,240,877	\$ 1,211,435	\$ 29,442
Added Needs	33,240	33,440	23,876	9,564
Instructional Support	<u>\$ 51,809</u>	<u>\$ 45,809</u>	<u>39,586</u>	<u>6,223</u>
Total Instruction	<u>\$ 1,335,926</u>	<u>\$ 1,320,126</u>	<u>\$ 1,274,897</u>	<u>\$ 45,229</u>
Support Services:				
Pupil	\$ 262,253	\$ 261,403	\$ 248,420	\$ 12,983
General Administration	203,020	198,520	197,031	1,489
School Administration	216,997	281,697	275,637	6,060
Business	113,717	120,302	117,585	2,717
Operations and Maintenance	410,338	406,438	366,783	39,655
Transportation	12,920	12,920	12,856	64
Central Support Services	<u>2,823</u>	<u>2,823</u>	<u>2,116</u>	<u>707</u>
Total Support Services	<u>\$ 1,222,068</u>	<u>\$ 1,284,103</u>	<u>\$ 1,220,428</u>	<u>\$ 63,675</u>
Community Services	<u>\$ 23,510</u>	<u>\$ 23,510</u>	<u>\$ 22,774</u>	<u>\$ 736</u>
Total Expenditures	<u>\$ 2,581,504</u>	<u>\$ 2,627,739</u>	<u>\$ 2,518,099</u>	<u>\$ 109,640</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ 166,084</u>	<u>\$ 148,334</u>	<u>\$ 168,301</u>	<u>\$ (199,313)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In (Out)	<u>(166,084)</u>	<u>(148,334)</u>	<u>(20,605)</u>	<u>127,729</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147,696</u>	<u>\$ 147,696</u>
Beginning of Year	<u>456,066</u>	<u>456,066</u>	<u>456,066</u>	<u>-</u>
End of Year	<u>\$ 456,066</u>	<u>\$ 456,066</u>	<u>\$ 603,762</u>	<u>\$ 147,696</u>

The accompanying notes are an integral part of this financial statement.

TIMBUKTU ACADEMY OF SCIENCE AND TECHNOLOGY  
FIDUCIARY FUND  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
JUNE 30, 2008

	<b>Student Activities- Agency Fund</b>
<b>Assets - Due from General Fund</b>	\$ <u>7</u>
<b>Liabilities - Due to Student Groups</b>	\$ <u>7</u>

The accompanying notes are an integral part of this financial statement.



TIMBUKTU ACADEMY OF SCIENCE AND TECHNOLOGY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

(1) **ORGANIZATION**

Timbuktu Academy of Science and Technology is a Public School Academy (K-8). The State of Michigan has delegated the Detroit Public School District the responsibility of authorizing the establishment of public school academies. The Detroit Public School District approved the establishment of Timbuktu Academy of Science and Technology pursuant to the Michigan School Code of 1976 ("Code"), as amended.

(2) **ACADEMY-WIDE AND FUND FINANCIAL STATEMENTS**

The academy-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Academy. For the most part, the effect of inter-fund activity has been removed from these statements. All of the Academy's activities are classified as governmental activities.

The statement of activities, demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct* expenses are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid and other unrestricted items are not included as program revenues but instead as *general revenues*.

**Measurement focus, basis of accounting, and financial statement presentation**

The academy-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current *financial resources, measurement focus* and the *modified accrual basis of accounting*. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

TIMBUKTU ACADEMY OF SCIENCE AND TECHNOLOGY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008  
(Continued)

(2) **ACADEMY-WIDE AND FUND FINANCIAL STATEMENTS** (Cont'd)

State and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Academy.

The Academy reports the following major governmental funds:

The *general fund* is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

The Academy reports the following non-major governmental fund:

The *school service fund* is the Academy's primary non-major fund. It is used to account for food services operations. It is a subsidiary operation and obligation of the General Fund.

The *agency fund* is a fiduciary fund used to record transactions of student groups for school and school-related purposes. The funds are segregated and held in trust for the students.

(3) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with the accounting principles outlined in the Michigan School Accounting Manual. The significant accounting policies followed by Timbuktu Academy of Science and Technology (the "Academy") are described below:

Cash Equivalents

Cash equivalents include short-term, highly liquid investments that are readily convertible to cash.

Investments

Investments are stated at fair value.

Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

TIMBUKTU ACADEMY OF SCIENCE AND TECHNOLOGY  
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(3) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Furniture and other equipment	3-7 years
Leasehold Improvements	20 years

The Academy's capitalization policy is individual amounts for leasehold improvement exceeding \$5,000 and furniture and other equipment exceeding \$500.

Revenue Recognition

All grant and contract revenues are recognized only to the extent earned.

Use of Estimates

The preparation of general purpose financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Budgets and Budgetary Accounts

The General Fund and School Service Fund budgets were adopted on a basis consistent with accounting principles generally accepted in the United States of America and in compliance with the Uniform Budgeting and Accounting (P.A. 621 of 1978).

**TIMBUKTU ACADEMY OF SCIENCE AND TECHNOLOGY**  
**NOTES TO FINANCIAL STATEMENTS**  
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**(4) CASH AND CASH EQUIVALENTS**

The Academy's deposits are included on the balance sheet under the following classifications:

Cash and cash equivalents	\$ <u>357,950</u>
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State law authorizes the Academy to make deposits in the accounts of federally insured financial institutions. Cash held by fiscal agents or trustees is secured in accordance with the requirements of the agency or trust agreement.

**Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of bank failure, the Academy's deposits may not be returned by the bank. The Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Academy evaluates each financial institution it deposits Academy funds with and assesses the level of risk of each financial institution; only those institutions with an acceptable estimated risk level are used as depositories. The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$362,000. Of this amount \$100,000 was covered by federal depository insurance and \$262,000 was uninsured and uncollateralized.

**(5) CAPITAL ASSETS**

A summary of capital assets is presented below:

	Balance <u>July 1, 2007</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2008</u>
Furniture and equipment	\$ 161,920	\$ 55,919	\$ 14,696	\$ 203,143
Less accumulated depreciation	<u>90,857</u>	<u>37,481</u>	<u>14,696</u>	<u>113,642</u>
Net capital assets	<u>\$ 71,063</u>	<u>\$ 18,438</u>	<u>\$ -</u>	<u>\$ 89,501</u>

Depreciation for fiscal year ended June 30, 2008 amounted to \$37,481. The Academy determined that it was impractical to allocate depreciation to the various Academy activities as the assets serve multiple functions.

TIMBUKTU ACADEMY OF SCIENCE AND TECHNOLOGY  
NOTES TO FINANCIAL STATEMENTS  
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(6) **MANAGEMENT AGREEMENT**

For the year ended June 30, 2008, the Academy utilized a management company, Magnum Educational Management Company ("Magnum"). Magnum provides teachers and various management services to the Academy. Magnum billed the Academy for salaries and related fringes (FICA, retirement and insurance) as well as a management fee. The management fee was set at 10% of the Academy's state aid receipts.

(7) **OPERATING LEASE COMMITMENTS**

The Academy is party to an operating lease with the Detroit Public School District, a Michigan municipal corporation. The lease requires a monthly payment of \$ 6,000. The lease expires September 1, 2010.

The minimum future lease payments are presented below:

2009	\$ 72,000
2010	72,000
2011	<u>12,000</u>
	<u>\$ 156,000</u>

(8) **RELATED PARTY TRANSACTION**

The Academy made a loan to Operation Get Down for \$32,000. The loan was repaid in March 2008. The Executive Director of Operation Get Down is the wife of a member of the management company.



**GREGORY  
TERRELL  
& COMPANY**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Timbuktu Academy of Science and Technology

We have audited the financial statements of Timbuktu Academy of Science and Technology (the "Academy") as of and for the year ended June 30, 2008, and have issued our report thereon dated September 19, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States.

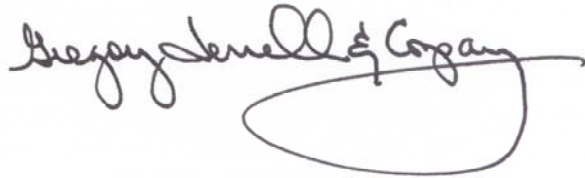
**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Academy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected with a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under "Government Auditing Standards".

This report is intended for the information of the Board of Directors, Management and the Michigan Department of Education. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in dark ink, appearing to read "Gregory Terrell & Company". The signature is fluid and cursive, with a large, sweeping loop at the end.

**GREGORY TERRELL & COMPANY**  
Certified Public Accountants

September 19, 2008